

PUBLIC EMPLOYEES' RETIREMENT BOARD
100 North Park Avenue, Room 201
Helena MT 59620

AUDIT COMMITTEE MEETING
Thursday, June 12, 2014

MINUTES

Committee Members:

Mike McGinley, Chairman
Scott Moore, Member
Warren Dupuis, Member

MPERA Staff:

Dore Schwinden, Executive Director
Hollie Koehler, Internal Auditor
Diann Levandowski, Assistant Fiscal Services Bureau Chief
Cynthia Pearson, Executive Assistant

Call to Order

Chairman Mike McGinley called the meeting to order at 1:15 p.m.

Roll Call

All committee members were present.

Public Comment

There was no public comment.

Fiscal Services Update

Legislative Audit Division - Financial Compliance Audit

Diann Levandowski, MPERA Fiscal Services Bureau Chief, provided an update on the financial audit work currently being done at MPERA by the Legislative Audit Division (LAD).

Ms. Levandowski said LAD is currently working to complete a financial compliance audit. The compliance portion will be completed first, then the financial portion. There will be a meeting next week to discuss scheduling, and MPERA will know more then. It is anticipated the audit will be completed by September or October.

In addition, there will be an audit assessment of MPERA's future IT system, PERIS.

Overview of Audit Process

Hollie Koehler, MPERA Internal Auditor, gave a brief overview of how she develops audits for the agency. She discussed the creation of an annual audit plan, which is based on the risk assessment identifying material processes to audit. The new GASB 67 and GASB 68 standards require internal controls over employer's census data, which means MPERA's internal audit will have to perform more external audits of employers.

The committee discussed several related issues, including the feasibility of auditing State of Montana agencies, the optimal balance of internal audits and external audits, and the internal auditor's limited time and resources to complete audits.

Internal Audit Update

Ms. Koehler has recently completed four internal audits and provided her recommendations.

Retiree Area - Transaction Reconciliation

There are two recommendations.

1. Recommend that internal controls documented through the Use Case “Summary of Balance and Run Benefit Payment” reflect current changes that have occurred in the area. Internal controls should be clearly documented and the documentation should be readily available for examination at each agency. (MOM 399, Internal Controls)
2. Recommend that segregation of duties is applied to the Retiree Area for the purpose of payroll reconciliation. There are four kinds of functional responsibilities that should be performed by different work units or, at a minimum, by different persons within the same unit: Authorization to Execute Transactions, Recording Transactions, Custody of Assets involved in the transactions & Periodic Reviews and Reconciliations of existing assets to recorded amounts. (MOM 399, Internal Controls)

Motion: *Member Warren Dupuis moved to accept the staff recommendations as presented.*

Second: *Member Scott Moore*

No public comment.

Vote: 3/0

Retiree Area - Audit of Daily Edits

There are four recommendations.

1. Recommend that training occurs so the Retiree Audit Support also knows what needs to be audited back.
2. Recommend that the Retiree Audit Support ensures the requested changes were made correctly.
3. Recommend that the Retiree Area re-evaluate adding the death compare audit to the Retiree Audit Support Area.
4. Recommend that the Retiree Audit Support ensures accounts receivable and accounts payable are tracked and follow up is done timely.

Motion: *Member Warren Dupuis moved to accept the staff recommendations as presented, with the stipulation that the individual responsibilities be identified in a corrective action plan or individual performance appraisals.*

Second: *Member Scott Moore*

No public comment.

Vote: 3/0

Retiree Area - Tax Table Audit

There are no recommendations.

The committee took no action.

Death Payment Process

There are two prior recommendations that MPERA is working on but has not implemented yet.

1. Recommend MPERA put controls in place to track and monitor contingents and beneficiaries who owe MPERA or MPERA owes them.
2. Recommend MPERA implement a control to track and monitor members who are 100 yrs. of age or older.

The committee took no action.

External Audit Update

Ms. Koehler has recently completed three employer audits: Montana State University-Billings, City of Billings, and Billings School District #2.

Montana State University-Billings

There are no recommendations.

The committee took no action.

City of Billings

There is one recommendation.

1. Recommend that City of Billings offer optional membership to their seasonal employees.

Motion: *Member Scott Moore moved to accept the staff recommendation as presented.*

Second: *Member Warren Dupuis*

No public comment.

Vote: 3/0

Billings School District #2

There are two recommendations.

1. Recommend that the School District offer the one employee identified optional membership.
2. Recommend that the School District work with MPERA for a mandatory retro for a member who elected PERS back in May 2013.

Motion: *Member Scott Moore moved to accept the staff recommendations as presented.*

Second: *Member Warren Dupuis*

No public comment.

Vote: 3/0

Committee Input on Audit Process

Ms. Koehler asked the committee for their input and guidance as she moves forward with audits for FY2015. Committee members said they would let her know of any special areas they thought should be considered for auditing.

Next Meeting

The next Audit Committee meeting will follow the Board's regular meeting on October 9, 2014.

Adjournment

Chairman Mike McGinley adjourned the meeting at 2:12 p.m.